



## The CEO Profile Survey

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# The true story of CEO remuneration

**We often see sensational reports about Australia's high-flying CEOs and their multi-million dollar packages, huge bonuses and lavish share options. The Australian Council of Superannuation reported a median figure of \$4.388 million among CEOs of Australia's top 100 companies for 2010, which is pretty heady stuff in anyone's language. But given that relates to a mere 0.1% of all Australian firms, the true story of CEO remuneration is a very different one. One that The CEO Institute is now able to tell for the first time in *The CEO Profile Survey - Remuneration Overview*.**

The vast majority of Australian CEOs ply their trade in the SMEs that make up 99.7% of the two million plus businesses operating in this country. The CEO Institute recently commissioned RMIT University to conduct a comprehensive research project that would profile the full spectrum of CEOs, not just the rarified few. Between July and September 2012, RMIT's research team received 369 responses to its online survey from CEOs of companies representative of all industry sectors as defined by the Australian Bureau of Statistics, including for profit and not-for-profit firms.

Data on age, gender, education and tenure, as well as remuneration, was collected which will provide a more accurate and complete picture of our business leaders than anything previously available. And our members will be the first to hear the details as they're analysed progressively over the next few months. But as far as remuneration goes, the results are in, and we can reveal for the first time what the average Australian CEO takes home.

Naturally, it varies according to company turnover and the number of staff employed. Almost half the respondents (47%) led companies employing fewer than 50 people. 45% had a sales turnover of \$2 - \$10 million. 45% ran their own businesses, with 55% being employed as CEOs.

Here, then, are the total annual salary packages reported, including wages, superannuation, bonuses and benefits, for the last twelve months:

- 38% of respondents received between \$100,001 - \$200,000.
- 28% received \$200,001 - \$300,000.
- 14% received \$300,001 - \$400,000.
- 8% received \$400,001 - \$500,000.
- 6% received \$500,001 - \$750,000.

Only 1% received more than \$1 million, and 4% actually earned less than \$100,000.

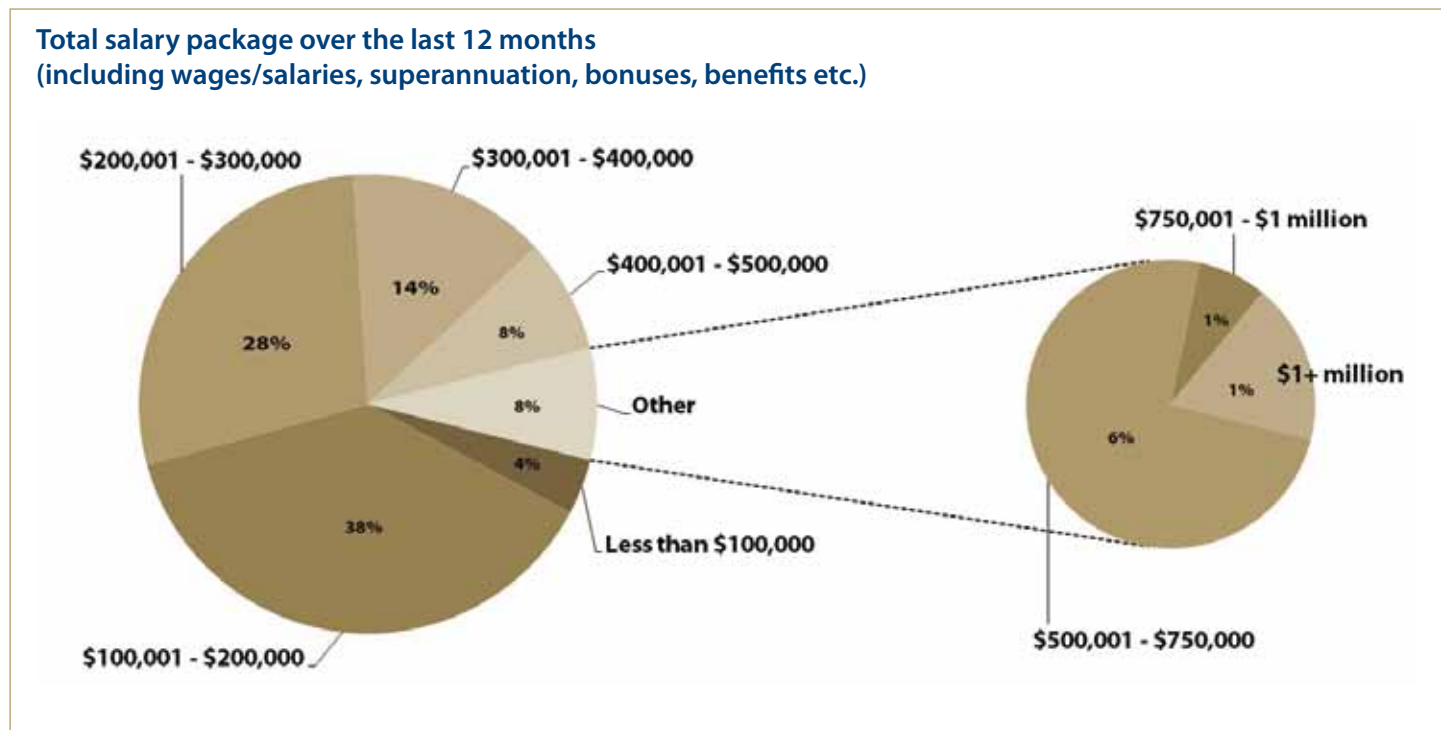
These results are fairly consistent with average CEO compensation figures in the US, where the average reported salary package for 2012 was \$197,000.

## Salary package linked to firm performance

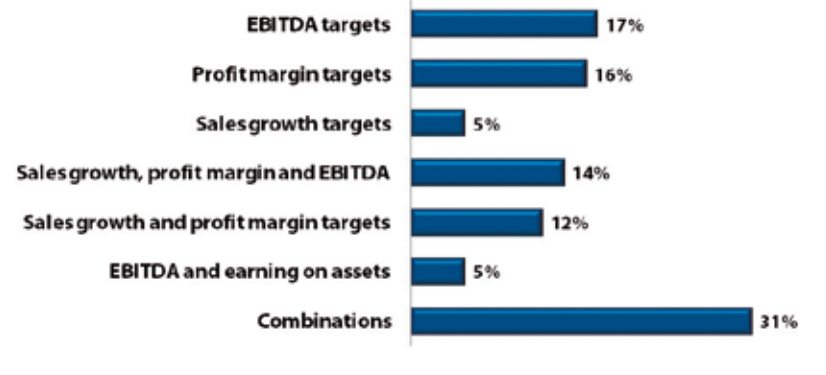
The issue of pay for performance for CEOs is widely debated, but most of the attention again falls on publicly listed ASX top 200 companies in Australia and Standard & Poor's top 500 ExecuComp database in the US.

In *The CEO Profile Survey*, 52% of CEO respondents reported that their remuneration was linked to company performance. This commonly involved a combination of performance measures including EBITDA, sales growth and profit margin, though other combinations are also applied. As you'd expect, public companies were much more likely to structure packages this way than privately held businesses.

Dig deeper and a distinct pattern emerges. While this sort of incentivised package is seen across all salary levels, only 7% of CEOs at the lower end of remuneration (less than \$100,000 p.a.) had their packages linked to



### Measures of salary linked performance



firm performance. This increased to 42% in the \$100,001 - \$200,000 bracket and to an average of 86% across the three higher brackets between \$500,000 - \$1million plus.

Despite all this, *The CEO Profile Survey* revealed no statistically significant relationship between CEOs whose total salary packages were linked to firm performance and percentage increase in firm sales growth rate. RMIT have highlighted the need for further research into this important area.

### Not-for-profit versus for profit remuneration

A survey conducted earlier this year by CBB Consultancy into executive salaries in the not-for-profit (NFP) sector in Australia and New Zealand found that 60% of CEOs "are still earning less than \$100,000". Payscale Australia reports NFP salaries from \$52,000 in small firms up to \$177,000 in large firms (based on a database of 138 CEOs). MyCareer reports that 42% of NFP executives have 10-19 years' experience in the sector and another 39% have over 20 years' experience, with salaries ranging from \$70,000 - \$187,000.

Results from *The CEO Profile Survey* tell a different story. 40 of the respondents (11%) were CEOs of NFP companies and only one received less than \$100,000 p.a. The median salary bracket for this sector was \$200,000 - \$300,000 and no statistical difference was found between CEO remuneration levels for NFPs and for profit businesses.

RMIT's survey provides a much clearer and more accurate picture of the CEO landscape in Australia, one that will be fleshed out further as details of gender, age, education and tenure are added over coming months.

It is our intention to make this an annual study, able to track movements in the demographic profile of our company leaders, and to publicly present a more balanced picture of how they're paid.

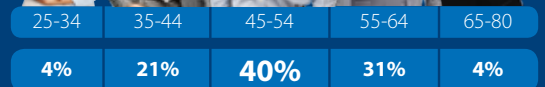
### The CEO Profile Survey – Key findings at a glance

- Almost half of all respondents (47%) were CEOs of companies employing less than 50 people
- 45% of respondents were CEOs of their own business, while 55% were employed as CEOs
- 45% of the companies led by respondents had sales turnovers between \$2 million - \$10 million
- 38% of respondents received total salary packages including wages, superannuation, bonuses and benefits between \$100,001 - \$200,000 per annum
- A further 28% received total salary packages between \$200,001 - \$300,000 per annum meaning 66% of the CEOs surveyed received between \$100,001 - \$300,000
- 52% of CEOs surveyed reported that their remuneration was linked to firm performance
- There was no statistically significant relationship between CEOs whose total salary packages were linked to firm performance and percentage increase in sales growth rate of firms

## Profile of a CEO – And the survey says...

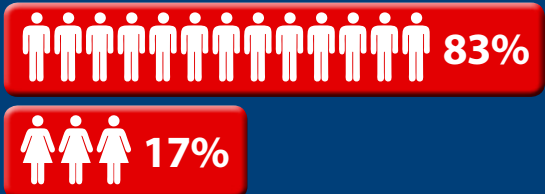
### CEO Age

The median age bracket is between 45 - 54 years of age and 71% of respondents are aged between 45 and 64 years of age.



### Gender

A gender split of 83% - 17% is reflective (though somewhat better) of the overall situation regarding workplace leadership in Australia.



### Tenure

61% of respondents have been in the CEO position for less than 10 years, suggesting it takes somewhere in the order of 20 - 30 years to reach CEO. Average tenure in each of the jobs prior to reaching the CEO position was 4.4 years.



### Education



**Masters**  
30%

**Bachelors**  
47%

**Diploma**  
18%

47% of the survey's respondents had completed a Bachelors degree and 34% a Masters or higher. Academic research consistently finds little association between education level and measures of company success, however education is one of the few objective measures in the executive selection process.

## State news

### New South Wales



**Yvonne Howie**  
Chief Executive - NSW

**Evidence of the two if not three speed economy is palpable in NSW. Decisions are being postponed and traditional sectors such as retail remain challenged. The strong Aussie dollar remains an issue for exporters. Despite that, our members are confident. Capital is available and consumer confidence seems to be rebounding.**

Still, members are focusing very clearly on the economic context and the need to make tough decisions in a flat environment, characterised by uncertainty. CEOs need to be highly resilient to adapt to and lead change.

Change is also in the wind for that essential of modern communication, the mobile phone, with new laws coming into force in November prohibiting usage while driving unless the phone is 'secured in a fixed mount' or does not require the driver to touch it at all.

Things took an exotic turn for several of our Syndicates in November! Syndicate 73 donned gumboots for the 6am auction at the Sydney Fish Markets, led by member and market CEO Grahame Turk. Syndicate 64 did it with a little more style in a motorcade of Maseratis, driving to lunch at iconic Jonahs at Whale Beach. Thanks to member and Maserati CEO Glen Sealey.

Meanwhile, Syndicate 40 welcomes a new Chairman in Anne Massey who brings considerable experience in the hospitality and social media industries.

Coming up in January, The CEO Institute 2013 Summit will take the theme "A Meeting of Minds" and feature Alan Oster, Chief Economist at NAB and Ruslan Kogan of Kogan Electronics. Well-known economics commentator and media group owner Peter Switzer will MC.

### Queensland



**Evan Davies**  
Chief Executive - QLD

**Members see lack of consumer confidence and competitor activity as their toughest challenges in the months ahead. About two thirds of them also believe carbon pricing will have a high or medium effect on their business.**

Factors influencing consumer confidence include a soft labour market and sluggish retail sales. This is despite the boost to household disposable incomes from cuts in official interest rates between November 2011 and June 2012, and the extra Federal Government payments to households ahead of the carbon price introduction. Dwelling investment remains relatively subdued. Tourism slipped 10% lower on the previous year as interstate holidaymakers took advantage of the high A\$ and headed overseas.

In this testing climate, business risk management has become a hot topic. Members are looking at monitoring performance, identifying issues affecting that performance and implementing strategies to reduce or address those issues.

Coming up on 24 January is The CEO Institute Members' 2013 Summit. "Tomorrow's Challenges Today" will highlight the challenges, visions and opportunities facing businesses in the 21st century. There will be particular focus on specific issues facing CEOs, including the changing economic landscape, future trends, responding to evolving priorities and inspiration in leadership.

Our congratulations go to Robin Levison, Managing Director & CEO of Industrea Limited who has been awarded the Certified CEO designation through the academic pathway, and to Peter Maher, CEO of St Vincent de Paul Society Queensland, whose work in connection with the Vinnies CEO Sleepout is reported elsewhere in this issue.

### South Australia



**Jeremy Harris**  
Director - SA

**The decision by BHP to delay expansion of its \$30million Olympic Dam mine in the north of the state - spruiked by federal and state governments as a key to South Australia's economic future - has dented business confidence. It merely serves to reinforce the very cautious business mood that has prevailed for some time now - cautious bordering on apprehensive given ongoing international uncertainty.**

The general lack of direction and decisive action from both federal and state governments continues to make long-term planning difficult for members. The uncertainty surrounding leadership of the opposition in South Australia is just another case in point.

The other local issue that continues to frustrate many businesses is the need for further relaxation in shop hours trading legislation.

We are looking forward to our 'Summit' event on 24 January, where the Leader of the Opposition will be our keynote speaker. The Premier spoke at our last Summit and, with a state election scheduled for 2013, it seemed appropriate to 'even the playing field'. She will outline the strategic direction and vision for business that the Liberal team would bring to the state if elected to power.

Our congratulations go to Kelly Keates (Syndicate 23) and David Heaslip (Syndicate 25), both of whom were recently awarded very significant study grants by the SA Industry Leaders Fund. Kelly is Harvard bound and David is off to AGSM Mt Eliza in Victoria.

It is also with sadness that we record the death of Keith Smith, the inaugural Chair of Syndicate 23, after a long battle with illness.



## Victoria



**Joanne Neely**  
Chief Executive – VIC

**Members report an increasing tendency for clients to go into a holding pattern, delaying or postponing important investment decisions. ‘Pending mode’ was how one of our groups described it. They suggest you keep talking to your clients, clarifying their thinking and teasing out the impact of their decisions.**

It reflects a wider negativity that members choose to resist. As reported, you just have to get on with things - manage the bad, lift productivity and look for fresh opportunities. Stagnation is not an alternative.

By the time this issue appears we will have held our breakfast briefing on 27 November. The topic is “Demystifying Succession Planning: Trading Exit Ready Everyday” and we’re indebted to John Downes of acorro for organising it, along with our event partner, Deloitte Private. The session confronts the fact that more than 50% of business owners are over fifty, with many looking to exit their businesses in the next ten years. If you’re one of them, John suggests you prepare early. Make sure your superannuation is sufficient to fund your desired lifestyle, and try to identify potential buyers.

Congratulations to Robert Buick, Foresite Training (Syndicate 18) who took third place in SmartCompany Smart 50 Awards 2012, recognising Australia’s fast-growing SMEs in 2011-12. And to Cameron Brookes, Kiandra IT (Syndicate 18) whose achievements includes making BRW’s Best Places to Work list for the fourth year running, a Service Excellence Award at the Australian Business Awards, winning 2012 Microsoft Australia Partner of the Year and Small-Medium Reseller of the Year at the ARN Awards.

## Western Australia



**Steve Stanley**  
Director - WA

**Despite a continuing air of uncertainty and caution, members generally feel positive about the future. That sentiment is reflected in many of the comments I hear about getting on with business and not worrying about what you can’t control.**

The Chinese economy is, of course, one of those uncontrollable factors. For much of this year it has been slowing down and lower steel production has meant reduced demand for Australian iron ore. The impact of recent changes in party leadership is also yet to be seen. Nevertheless, analysts seem to think that growth is picking up again, with obvious benefits for our own economy.

Closely linked to Chinese fortunes is the mining boom. The question of how long it will last is never far from mind in this state, and the answer, whatever that may be, holds major implications for our economy as a whole.

At Syndicate level, there has been much discussion about culture and how an organisation can foster the right sort of culture within its ranks. The discussion in the last issue of The CEO Report obviously struck a chord and it will be one of the hot topics at the upcoming Summit, along with discussion on the key principles of leadership.



## Certified CEO

**As the festive season gets underway, the Certified CEO division prepares for the presentation of more Certified CEO awards. In January next year, 28 Fellows of The CEO Institute will be presented with this prestigious award and join more than 100 Certified CEOs nationally who have already travelled the experiential pathway.**

Now, business leaders who have completed a recognised MBA can gain an added bonus for their hard work – an academic pathway to Certified CEO status. Robin Levison, a Certified CEO via the academic pathway, sees it as a clear advantage that recipients of recognised MBAs can now apply for certification.

“An organisation with the reputation of The CEO Institute does not give out awards lightly. I can see how certification assists with the process of recognising the benefit of experience, aligned with adequate academic achievement,” he says. Congratulations Robin!



**Evan Davies presenting Robin Levison with his Certified CEO certificate**

Monash University, whose MBA programs are highly regarded by organisations worldwide, also acknowledges the merits of this global certification. Monash is now a Educational Partner for the academic pathway to Certified CEO certification. We welcome Monash University!

So, if you have a recognised MBA and at least three years senior management experience, why not find out if you’re eligible for certification?

Wishing everyone a safe and happy festive season!



**Esmé Alfred**  
Program Director

## CEO buzz

An assembly of CEOs in the one room is too much wisdom to waste. Our Syndicate Chairmen let you in on the issues your peers have been talking about:

**Social media explosion.** The impact of social media - not just on marketing but on business generally.

**Managing underperformance.** The importance of leadership in resolving problem and disruptive behaviour.

**China.** Chinese economy showing signs of slowing.

**Stepping back.** Challenges faced when trying to step back from the day-to-day management of the business and adopt a more strategic role.

**Leadership.** Communicating complex issues in a simple way.

**Staff health and well-being.** Dealing with depression and anxiety - what is the CEO's role and responsibility?



**Setting up for business growth.** How to manage growth when taking a business off-shore.

**Brand and marketing.** Online image and brand management has become mandatory for most businesses.

**Mergers and acquisitions.** How to assess M&A or IPO opportunities given the stage that the business is in and the current economic cycle.

**Making the most of changing technologies.** Challenges when trying to keep up with technology changes and knowing how much to invest in it.

**When partnerships go bad.** Dealing with the fallout from a breach of trust - damage control with staff and stakeholders.

**CEO thinking.** The importance of self-awareness and how to take this awareness into negotiations.

**Challenges with the Board.** Challenges faced when reporting as a CEO to an overseas multi-national.

**Staff engagement.** Building leadership programs that get results aligned to the vision and values of the organisation.

**Incentives.** Cash versus non-monetary incentives - which is more effective in retaining staff?

**Change management.** Changing cultural work practices - how to do so without damaging productivity.

**Increasing sales.** Increased emphasis on developing salespeople's selling skills.

**King customer.** Conducting client satisfaction reviews and replacing lost clients.

## CEO Sleepout

There are plenty of things that keep business leaders awake at night – cost increases, staff problems, lack of sales – but wondering where to sleep isn't normally one of them.

But that's exactly what more and more business leaders are doing, as part of the Vinnies CEO Sleepout challenge. Each June, over 1,000 CEOs – including members of The CEO Institute – take to the streets in cities all around the country and discover what it's like to be homeless. For one winter's night they swap their central heating and silk pajamas to sleep rough on cardboard.



Simon Dawkins from The CEO Institute WA at the CEO Sleepout



Evan Davies presenting Peter Maher and the CEO Sleepout with The CEO Profile Survey donation

As well as experiencing first-hand the regular plight of over 105,000 of their fellow Australians, they raise over \$5 million in sponsorships and donations. One of these hardy souls is Peter Maher, CEO of St Vincent de Paul Society Queensland. Peter is also a member of The CEO Institute (Syndicate 35) and received strong support from his fellow CEOs, including The CEO Institute's head office. The event happened to coincide with *The CEO Profile Survey* and it was decided to donate \$5 for every member of The CEO Institute who completed the survey.

As a result, Evan Davies, Chief Executive - QLD was able to present Peter with a cheque for \$2,000 to directly assist people experiencing homelessness.

The facts are shocking for an affluent society like ours. Of the 105,000 plus people classified as homeless by the Australian Bureau of Statistics, 58% are under 35, 44% are women and an alarming 12% are children under 12 years of age. The economic and social costs, let alone the personal costs, of leaving the homelessness crisis as it is, are enormous.

The Society works to break personal cycles of poverty by helping people through education programs, recreational activities and extensive information and referral services in a safe and supportive environment. In the past year the Society assisted 300,000 Queenslanders and distributed over \$31 million in direct financial assistance.

We congratulate Peter, and all the CEOs who participate for rising to the challenge.

Find The CEO Institute on





## Future CEO™ on the move in QLD

The Future CEO™ program is on the move in Queensland.

As reported in the last issue of this Report, David Gray an Adjunct Professor with Queensland University of Technology was recently appointed as a Future CEO™ Chairman and now Meryl McKenzie has been appointed as Membership Director.

Meryl is the owner and Director of m2solutions, a boutique marketing consultancy providing strategic marketing advice and counsel to a diverse range of clients. She was formerly Director of Marketing for the (then) Department of Employment Economic Development and Innovation with the Queensland State Government, where she worked with key private and public sector organisations to profile Queensland as a key business investment location. Before that she was the General Manager, Queensland for the American Chamber of Commerce.

So she brings extensive experience in both the government and private spheres. She also brings a particular talent for inspiring those around her and is enthusiastic about helping the next generation of business leaders to grow into the top job. We wish her all the best in her new role.

If any members in Queensland have anyone in their organisation they believe would benefit from the Future CEO™ program, Meryl would love to hear from you on (07) 3368 5200. Members wishing to take advantage of the Future CEO™ program in Victoria or NSW should contact our offices there.



**Meryl McKenzie, Membership Director - Future CEO™**

## Selection of photos from recent events



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